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No. 73-187

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

KEWANEE OIL COMPANY,
Petitioner,
v.
BICRON CORPORATION, *et al.*,
Respondents.

On Writ Of Certiorari
To the United States Court of Appeals
For the Sixth Circuit

BRIEF FOR THE PETITIONER

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OPINIONS BELOW

The findings of fact and conclusions of law of the district court are reproduced in the Appendix, except for proprietary material which has been excised (App. 51-90).[1] The district court's Order Supplemental to

[1] The following abbreviations will be used in this Brief: "App." refers to the printed Appendix; "Pet. App." refers to the Appendix to the Petition for Writ of Certiorari; "Br. App." refers to the Appendix to this Brief; "Tr." refers to the transcript of proceedings before the district court; "Fdg." refers to findings of fact made by the district court; "Con." refers to conclusions of

Memorandum of Decision and Order for Permanent Injunction are also reproduced in the Appendix (App. 91-94). The opinion of the Sixth Circuit Court of Appeals (Pet. App. A1-A25) is reported at 478 F.2d 1074.

JURISDICTION

The judgments of the court of appeals (Pet. App. A26-A28) were entered May 10, 1973. The Petition for writ of certiorari was filed July 27, 1973, and was granted on October 9, 1973. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Constitution of the United States:

Article I, Section 8, clause 8.

> The Congress shall have Power . . .
>
> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . .

Article VI, second paragraph.

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the supreme Law of the Land; . . . any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

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law made by the district court; "Inj." refers to the district court's Order for Permanent Injunction.

"Kewanee" refers to Kewanee Oil Company, petitioner herein; "Bicron" refers collectively to Bicron Corporation, Lloyd H. Hamner, Julious M. Menefee, William P. Novak, Richard W. Spurney and Harry Suscheck, respondents herein; "Bicron Corporation" refers exclusively to the corporate respondent; and "Individual Respondents" refers exclusively to the individual respondents herein.

Tenth Amendment.

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people.

Statutes:

35 U.S.C. § 101.

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. §102.

A person shall be entitled to a patent unless—

. . .

(b) the invention was . . . in public use . . . in this country, more than one year prior to the date of the application for patent in the United States . . .

Ohio R.C. § 1333.51(C) (1967).

No person, having obtained possession of an article representing a trade secret or access thereto with the owner's consent, shall convert such article to his own use or that of another person, or thereafter without the owner's consent make or cause to be made a copy of such article, or exhibit such article to another.

Ohio R.C. § 1333.99(E) (1967).

Whoever violates section 1333.51 of the Revised Code shall be fined not more than five thousand dollars, imprisoned not less than one nor more then ten years, or both.

QUESTION PRESENTED

Whether the Constitution and the Federal Patent Act preempt and make ineffective state laws which

protect against disclosure or use of trade secrets in breach of duties imposed by a contract or a confidential relationship.

The specific aspect of that question which is raised by the record in this case is:

Whether protection of trade secrets by limited injunctive relief against former employees acting in breach of their fiduciary duty and secrecy agreements is precluded by the United States Constitution or the federal Patent Code merely because the employer secretly used the secrets to produce products sold commercially for more than one year prior to the date of suit and thus lost the right to secure a patent on such secrets.

STATEMENT

The findings made by the district court disclose the following facts:[2]

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[2] Due to the nature of this action, the district court entered an Order Supplemental to Memorandum of Decision (App. 91) impounding the exhibits and those findings of fact and conclusions of law which contained "any naming or description of equipment, materials or procedures mentioned in the exhibits and memorandum of decision concerning the production of sodium iodide thallium activated scintillation crystals." Consistent therewith, the record of the district court was kept under seal in the court of appeals and has received the same treatment by the Clerk of this Court. (See Order of November 5, 1973.) To facilitate the presentation of this case, however, and at the request of the United States which this Court has invited to file a brief *amicus*, Kewanee has excised portions of the findings of fact consistent with the district court's Order, and has reproduced the remainder in the Appendix (App. 51-86). The entire record below, including the material excised from the findings of fact as printed, and including the transcript and exhibits in the district court, is on file with the Clerk and available to the Court.

Kewanee, through its unincorporated division, Harshaw Chemical Company ("Harshaw"), manufactures various types of industrial products. Harshaw's product line includes synthetic crystals and particularly sodium iodide thallium activated scintillation crystals, and this product forms the subject matter of this action. A scintillation crystal has a property which permits it to generate a minute particle of light when struck by ionizing radiation.[3] Harshaw's activities with respect to the growth of synthetic crystals and its experience in this area date back to about 1937 (Fdg. 1 and 5, App. 52).

Harshaw began conducting research in 1949 on scintillation crystals, such as sodium iodide thallium activated crystals, which crystals are used in radiation detectors. Harshaw was the forerunner in the growth of scintillation crystals, there being no other companies producing such crystals at that time (Fdg. 6, App. 53-54). Commencing in 1949 with the growth of a sodium iodide thallium activated crystal less than two inches in diameter, Harshaw, by means of continuing research and development, was able in 1966 to grow a 17-inch sodium iodide thallium activated crystal. In order to accomplish this task, Harshaw spent in excess of $1,000,000 on research, and employed as consultants such notable experts as Dr. Stockbarger, a pioneer in the field of crystal growth, and Dr. Hofstadter, a Nobel Prize winner in Physics (Fdg. 40, App. 61-62).

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[3] Such crystals are put to a variety of end uses, including detection of uranium ore, medical uses such as detection of malignant tumors, location of oil, and any uses where radiation detection can be employed as a counting device (Td. 204-205).

There are several companies worldwide which compete with Harshaw in the production and sale of sodium iodide thallium activated crystals. Other than Bicron Corporation, there are three such competitors in the United States, one or two in Japan, and one each in Great Britain and France. These competitors have produced and sold 13-inch diameter crystals and one such competitor has offered to sell a 16-inch diameter crystal. However, to date no company other than Harshaw has produced or sold a 17-inch diameter crystal (Fdg. 6, App. 53-54). In addition to the knowledge possessed by Harshaw's competitors, there is a substantial amount of information in the public domain relevant to the production of crystals (See (Fdg. 6, 13, 14, 22, 23, 32, 33, 34, 35, 36, 38, 40 and 73).

As an outgrowth of its research, Harshaw developed many confidential processes, procedures and manufacturing techniques which it claims are trade secrets (Fdg. 39, App. 59-61). These give it a commercial advantage over competitors who do not know or use such processes, procedures and techniques. Harshaw presented proofs in the district court that it had trade secrets in the following areas: (1) the purification of raw materials; (2) the growth of the crystals; and (3) the preparation and encapsulating of the crystal. These processes, procedures and manufacturing techniques become more critical as the size of the crystal increases (Fdg. 40, App. 61-62).

Harshaw maintained stringent precautions to protect its trade secrets, including the following: it "regularly required its employees to execute" agreements which precluded them from disclosing and us-

ing the company's trade secrets (Fdg. 104, App. 83-84); it "installed fencing bearing 'No Admittance' signs around various plant sites and maintained a security guard therein" (Fdg. 104, App. 83-84); visitors to the Laurel facility were required to sign in at the front desk and would be escorted around the plant at all times by a regular employee (Tr. 253-254); the Laurel facility conspicuously posted signs stating "Crystal Solid-State Department Employees Only, No Admittance" (Tr. 253); the Solon facility had one entrance for employees which was guarded twenty-four hours a day, and visitors were sent to the front desk where they were issued passes and escorted by an employee (Tr. 254); it posted a copy of Section 1333.51 Ohio Revised Code, which makes the theft of a trade secret a crime in Ohio (Fdg. 104, App, 83-84); and it "marked certain prints and documents with a notice of confidentiality and restricted their distribution to key employees" (Fdg. 104, App. 83-84). Bicron vigorously disputed the adequacy of these precautions and argued that the trade secrets were readily available to the public (Fdg. 105-107, App. 84-85). After carefully reviewing all of the evidence concerning Harshaw's secrecy precautions, the district court found "that not sufficient disclosure occurred so as to place the claimed trade secrets in the public domain" (Fdg. 108, App. 85).

The Individual Defendants Were Employed by Harshaw and Learned of Its Trade Secrets During that Confidential Relationship.

The findings disclose the following facts with respect to the Individual Respondents:

Hamner, an employee of Hamner Electronics Company, executed an agreement which provided in part

that he would not disclose trade secrets of the Company. Harshaw acquired control of Hamner Electronics Company in 1964 and thereafter that agreement inured to the benefit of Harshaw (Fdg. 47-48, App. 67-68). Hamner's experience with Harshaw primarily involved the various applications to which encapsulated scintillation crystals may be put and aspects relative to the sale of such products, including customer lists (Fdg. 49, App. 68).

Menefee, a physicist and mathematician, was employed by Harshaw in February 1964. During the course of his employment, Menefee executed two agreements which provided in part that he would not disclose Harshaw's confidential information. In February 1969, Menefee was promoted to Group Manager-Nuclear Detectors and Systems. In this capacity he was responsible for the development of new detector assemblies employing scintillation crystals, which gave him access to and experience in all phases of crystal production including synthesis and purification of raw materials, crystal growth, and preparation and encapsulation of finished crystals (Fdg. 52, App. 69-70).

Novak was employed by Harshaw in April 1962. During the course of his employment, Novak executed two agreements which provided in part that he would not disclose Harshaw's confidential information. Novak was a technician in the Crystal Canning Department and for six years was engaged in part in the canning and encapsulation of scintillation crystals. He was a lead man in the department for at least six months and in this capacity was responsible for quality control and the teaching of canning and encapsu-

lation techniques to other employees whom he supervised (Fdg. 54, App. 70-71).

Richert, a chemist, was employed by Harshaw in February 1962. In consideration of his employment, Richert executed an agreement which provided in part that he would not disclose the confidential information of Harshaw. Richert worked in the purification department and was actively involved in the preparation of raw materials for crystal growth, as well as the preparation of certain bonding materials used in the encapsulation of crystals (Fdg. 57, App. 71-72). He received copies of Harshaw's confidential purification procedures and he understood he was not to disclose their content to anyone (Fdg. 41, App. 62).

Spurney was employed by Harshaw in May 1961. In consideration of his employment, Spurney executed an agreement which provided in part that he would not disclose Harshaw's confidential information. Spurney was primarily involved with the growth of crystals, including the "doping" of raw materials and the programming of growth furnaces. Additionally, he was also responsible for reworking platinum crucibles used in the growth of synthetic crystals (Fdg. 59-60, App. 72-73).

Suscheck was employed by Harshaw in April 1963. During the course of his employment, Suscheck executed two agreements which provided in part that he would not disclose Harshaw's confidential information. For the first three years of his employment, Suscheck worked in the engineering department doing design work on radiation detectors. Thereafter, he was elevated to "Production Manager of Scintilla-

tion Detectors" and given production responsibility. In this capacity he supervised, either directly or indirectly, approximately thirty-five employees. Among other things, he was responsible for the encapsulation of scintillation crystals, including the design of containers therefor. Suscheck did the engineering work on the design of finished units, and he determined what units were to come out of what crystals, which function was significant in determining the profit or loss of the operation (Fdg. 62, App. 73-74).

Prior to joining Harshaw, except for the academic training of Richert and Menefee, none of the individuals had any experience with respect to the purification of raw materials, growth or preparation and encapsulation of scintillation crystals. However, each individual acquired experience in one or more of these areas and the trade secrets associated therewith while employed by Harshaw (Fdg. 41-42, App. 62-63; Fdg. 63, App. 74; Fdg. 88-92, App. 81).

Each of the individuals occupied positions of trust and confidence with Harshaw, and for this reason were given access to the various facilities where the secret operations relative to his action were conducted (Fdg. 64, App. 74-75). On the basis of the evidence before it, the district court concluded as a matter of law that "[t]he individual defendants held positions of trust while at Harshaw, thereby creating a confidential relationship, and they owed a duty of loyalty and fidelity to their employer" (Con. 4, App. 87-88).

Spurney resigned in December 1966 to accept a position with General Electric. Richert resigned in August 1968 to accept a teaching position at John

Carroll University. Hamner tendered his resignation in July 1969, and terminated his employment as of August 15, 1969. He gave as a reason for resigning his desire to attend the New York School of Finance in order to learn how to manage his stock portfolio. Novak summarily resigned and left Harshaw on September 12, 1969. Menefee tendered his resignation in June 1969, and terminated his employment as of July 31, 1969. He indicated that he was dissatisfied and was resigning in order to engage in private nuclear consulting activities. Suscheck tendered his resignation in early August 1969 and terminated his employment as of August 15, 1969. He stated that his resignation was prompted by the need to devote more time to a plastics company in which he had an interest (Fdg. 65, App. 75). Even though Hamner, Menefee and Suscheck knew when they terminated their employment that they were in the process of forming a competing business, this information was not revealed to Harshaw (Fdg. 83, App. 78-79).

Bicron Corporation Was Formed by the Individual Defendants to Compete with Harshaw, Including Use of Its Trade Secrets.

While still employed by Harshaw, Menefee and Hamner discussed the possibility of forming their own business. Originally they considered some type of consultant work, but it was felt that the time required to establish such a business was lengthy. In order to have a going business in the shortest period of time, they decided to manufacture scintillation detectors using sodium iodide thallium activated crystals (Fdg. 67, App. 75-76; Tr. 1078-1079).

Menefee approached Suscheck in mid June 1969, and asked him to join the proposed business venture

(Fdg. 68, App. 76; Tr. 1131). Realizing that someone with experience in the crystal growth area (furnace operation) would be required, Menefee also contacted Spurney (Fdg. 69, App. 76; Tr. 1079-1080). On June 20, 1969, Hamner, Menefee, Spurney and Suscheck met to discuss the formation of a corporation which would compete with Harshaw in the manufacture of sodium iodide thallium activated crystals (Fdg. 71, App. 76). Realizing that a chemist would be required to purify raw materials, Menefee contacted Richert in late June or early July and the latter indicated that he would be willing to act in a consulting capacity with respect to the purification of sodium iodide (Fdg. 70, App. 76). On July 2, 1969, Menefee, Suscheck and Spurney met with Hamner's attorney in New Jersey to discuss the formation of a new corporation (Fdg. 72, App. 72). On August 4, 1969, Spurney contacted Englehart Industries on behalf of the newly formed business and requested price quotations on a seventeen inch diameter platinum crucible (Fdg. 74, App. 77). Hamner, Menefee and Suscheck were employees of Harshaw, when the foregoing activities transpired (Fdg. 76, App. 77). On or about August 1, 1969, Suscheck, while still in the employ of Harshaw, prepared a drawing of the proposed Bicron Plant (Fdg. 84, App. 79).

On August 16, 1969, Hamner, Menefee, Spurney and Suscheck concurrently executed an agreement forming Bicron Corporation. Pursuant to the terms of the agreement, the four individuals comprised the Board of Directors, Hamner being Chairman of the Board and President, and Menefee being Vice President and Secretary. The agreement expressly recognized the " 'special abilities' " of the parties and

included non-competition and non-disclosure provisions (Fdg. 78, App. 77-78). The Individual Defendants associated themselves together because of the special abilities which each possessed with respect to complementary facets of the scintillation crystal business. In seeking financing for his new business, Hamner represented to an investment firm that the product which Bicron Corporation planned to manufacture was highly technical, but that some of its personnel had worked at Harshaw and possessed the necessary skills to make the product. For example, Spurney was asked to join Bicron Corporation because he was an expert crystal grower; Richert was selected because he was an expert in purifying materials needed for crystal growth (Fdg. 83, App. 78-79).

Menefee again contacted Richert in the early part of September 1969, and the latter agreed to act as a consultant to Bicron Corporation and devise a procedure for the purification of sodium iodide (Fdg. 80, App. 78). Richert claims to have written the purification procedure in approximately 100 hours based upon library research and this procedure was delivered to Bicron during the first part of December 1969 (Fdg. 57, App. 71-72).

The Bicron Plant was completed in the latter part of December 1969, or early January 1970, and operations were shifted there from Menefee's house. During the first run the crucible was damaged and forwarded in early March 1970 for repairs. The crucible was returned to Bicron and a 17-inch diameter crystal was grown and placed in the annealing furnace by mid-April 1970 (Fdg. 82, App. 78).

It took Harshaw over sixteen years to perfect its processes, procedures and manufacturing techniques to the level of technology required to produce a 17-inch sodium iodide thallium activated crystal. During this period Harshaw expended great sums of money, employed some of the world's foremost consultants and has become the recognized leader in the scintillation crystal industry. Although Harshaw has several competitors around the world, none has been able to produce a 17-inch diameter sodium iodide thallium activated crystal. Bicron Corporation, however, with its nucleus of former Harshaw employees, was able in approximately nine months to construct a highly complex plant, design and assemble specialized equipment, purify the material and then grow and place in the annealing furnace a 17-inch diameter sodium iodide thallium activated crystal. In view of this evidence, the district court concluded "that there is an imminent danger of disclosure of plaintiff's trade secrets to Bicron and the use of these trade secrets by Bicron" (Con. 6, App. 89).

The Courts below Both Sustained Kewanee's Right to Relief under Ohio Trade Secret Law

On April 17, 1970, Kewanee filed its Complaint (App. 5-27) against Bicron in the United States District Court for the Northern District of Ohio. On that day the district court granted a Temporary Restraining Order (App. 28-31) enjoining Bicron from disclosing and using Kewanee's trade secrets. The Temporary Restraining Order was extended to permit a full hearing on Kewanee's application for a preliminary injunction (App. 32). By agreement of

the parties, the hearing was consolidated with the action on the merits as provided for in Rule 65(a)(2) of the Federal Rules of Civil Procedure. A lengthy trial followed consuming approximately ten trial days, during which the district court heard the testimony of 16 witnesses and received in evidence 105 exhibits. On November 25, 1970, the district court entered its decision, which included 110 findings of fact (App. 51-86) and 8 conclusions of law (App. 86-90). The district court applied Ohio trade secret law "in determining which processes, procedures and mechanical techniques . . . are trade secrets and those which are not" (Con. 5, App. 88-89). The district court held that Kewanee had a protectable property right in twenty of its forty claimed trade secrets in suit. It further concluded that Kewanee failed to establish that the remaining twenty processes, procedures and manufacturing techniques were in fact trade secrets. Concurrently therewith, the district court entered an Order for Permanent Injunction (App. 92-94) which enjoined Bicron from disclosing and using the twenty trade secrets unless they became publicly known.

Kewanee appealed from the decision of the district court, contending that all forty claimed trade secrets should have been protected, and Bicron cross-appealed maintaining that none of the alleged trade secrets should have been protected (478 F.2d at 1076; Pet. App. A2). The court of appeals, "[a]fter careful consideration of the entire record," held that "the findings of fact of the District Judge are not clearly erroneous within the meaning of Rule 52, Federal Rules of Civil Procedure, 28 U.S.C., and the District Judge properly applied the Ohio law relating to trade

secrets" (478 F.2d at 1077; Pet. App. A5). In so holding the court of appeals stated:

> "On this record, as a whole, it appears clear to us, as it did to the District Court, that the individual defendants used the information obtained during their employment by Harshaw for the benefit of Bicron. There can be no question on this record but what these individual defendants appropriated, to the benefit of Bicron, Harshaw's secrets, processes, procedures and manufacturing techniques." (478 F.2d at 1076-1077; Pet. App. A3).

The court of appeals then concluded that it would "affirm the judgment of the District Court" (478 F.2d at 1077-1078; Pet. App. A5), but for its belief that under the facts of this case the trade secret laws of Ohio are in "direct conflict with the Patent Laws" of the United States (478 F.2d at 1086; Pet. App. A25). The court of appeals therefore reversed and remanded the case to the district court for dismissal of the complaint (478 F.2d at 1087; Pet. App. A25).

SUMMARY OF ARGUMENT

The district court granted a narrow injunction which prevented Bicron from using or disclosing the twenty items found to be trade secrets. The injunction expires by its own terms when any secret is subsequently published by Kewanee or by others, or disclosed to Bicron by someone having the right to do so. Moreover, the injunction does not preclude Bicron from competing with Kewanee in the manufacture and sale of scintillation crystals.

Under the circumstances, the injunction did not give Kewanee the equivalent of a patent monopoly. The essence of a patent monopoly is the power to ex-

clude anyone in the United States from making, using or selling the subject matter of the patented invention, whether or not he develops it independently. Here the injunction ran only against Bicron and did not prevent anyone else from doing anything, nor did it prevent Bicron from making, using or selling sodium iodide thallium activated scintillation crystals. It left Bicron free to use any Kewanee secret developed independently by others and thereafter published or disclosed to it.

The court of appeals unanimously affirmed the district court's finding that the twenty processes in issue were adequately maintained in secrecy and had not become a part of the public domain. The Sixth Circuit's holding that the secret use of Kewanee's processes for over a year placed the secrets in the public domain is not tenable, for the function of 35 U.S.C. § 102 (b) is solely to determine what has been "used" so that it is not entitled to the 17-year statutory monopoly of the federal patent laws; it does not purport to determine what is published for any other purpose.

Sears, Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225 (1964), *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), are all inapplicable. In those cases protection was sought for products, not processes, and the products were clearly in the public domain, having been fully disclosed in patents and by their public sale. Moreover, in *Sears* and *Compco* respondents were seeking the full equivalent of a patent monopoly, in that they claimed that no one in the United States, whether or not he had developed his own product independently, could manufacture an identical product because the configuration of the thing

itself was said to denote respondents as its source. Kewanee seeks no such monopoly protection.

The interest of the federal patent statutes in promoting new inventions by rewarding inventors is different from, and does not conflict with, Ohio's policy of protecting its citizens against fraud, theft, dishonesty and breaches of contract or fiduciary duty. In our federal system a very persuasive showing must be made before unstated radiations of a federal statute are found to displace long standing state common law implementing its acknowledged police powers.

Decisions of this Court have repeatedly held that an inventor has the choice of keeping his invention secret while attempting to protect it pursuant to the state law of trade secrets, or of disclosing it in a patent application in the hope of securing a 17-year statutory monopoly. Enactment of a statute carries with it the construction put on predecessor statutes with similar wording, and the passage in 1952 of the Patent Code must be taken to have accepted these interpretations. In any event, this Court has always been slow to overrule a considered line of decision existing over many years.

The Sixth Circuit's holding that only those trade secrets are preempted which are patentable subject matter under 35 U.S.C. § 101, if they have been in "public use" under 35 U.S.C. § 102(b) for over a year, operates capriciously and implements no visible societal policy. Why should confidential customer lists which are not patentable be protectable, while formulae or industrial processes are not? This Court has never favored construction of a statute to achieve capricious or illogical results.

Granting limited protection to trade secrets is also fully consistent with the antitrust laws, for section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1 and 2, have both been interpreted to make unlawful the theft of trade secrets in varying factual circumstances.

Kewanee's position here is also confirmed by the fact that many federal statutes existed which specifically authorized trade secret protection before the passage of the 1952 Patent Code. Many other federal statutes specifically authorizing the protection of trade secrets were passed thereafter. The interpretation of the Patent Code adopted by the Sixth Circuit would so limit trade secret protection as to amount to an implied repeal of all of these provisions; yet repeals by implication have never been favored by this Court. That rule is particularly applicable here since the Patent Code contains no words of express repeal while the statutes that would be rendered largely nugatory expressly authorize protection of trade secrets. Moreover, all of these statutes are properly considered by the Court in interpreting the overall intent of Congress.

Finally, a substantial number of commercial transactions has been effected in reliance upon the continuing validity of the law of trade secrets and the ability of a court to give limited protection to trade secrets in appropriate circumstances. This Court should be extremely reluctant to unsettle all of these transactions. The question is more properly one for Congress.

ARGUMENT

I. INTRODUCTION:

THE BASIS AND NATURE OF TRADE SECRET LAW

The Ohio Law of Trade Secrets Does Not Foster Monopoly; It Merely Provides a Remedy for Breaches of Contract and Trust.

The general law of trade secrets, effective in nearly all of the States,[4] requires that the party seeking trade secret protection establish by a preponderance of the evidence that: (1) the items for which protection is sought, whether patentable or not, constitute proper matter for trade secret coverage; (2) the party against whom relief is sought has either violated or threatened to violate an express agreement or his fiduciary duty not to disclose or use the secrets; and (3) there has been a substantial element of secrecy. Upon such proof, the party seeking relief will be granted protection against the wrongful disclosure and use of the trade secrets, but will not be protected against their legitimate discovery. Moreover, the relief afforded the trade secret owner will not be so broad as to enjoin competition. Each of these points will be discussed in greater detail below.

The frequently stated definition of a trade secret is set forth in 4 RESTATEMENT OF TORTS § 757, comment b (1939), which is printed at Pet. App. A28-A29. Ohio law, like that of many other States, generally follows Section 757. *B. F. Goodrich* v. *Wohlgemuth,* 117 Ohio App. 493, 498, 192 N.E.2d 99, 104 (1963). That definition provides in part that "a process of manufacturing" such as that involved in the present action, constitutes protectable subject matter.

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[4] See generallly, Milgrim, TRADE SECRETS, Chapters 2, 3, 4 and 5 (1973); 2 Callman, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES 343 *et seq.* (3d ed. 1968).

Ohio law is in accord with the general law of trade secrets. It applies only against those who have entered into an express agreement to hold the secret in confidence or those who are in a fiduciary relationship with the trade secret owner. *Seifried* v. *Maycox,* 14 Ohio Dec. 536, 539 (Super. Ct. 1904), following *Stone* v. *Goss,* 65 N.J. Eq. 756, 55 A. 736 (Ct. Err. & App. 1903). While it is settled in Ohio and elsewhere that the employer-employee relationship carries with it such a relationship, Ohio courts have been loathe to find a fiduciary relationship where it is not clear from the facts that one existed. See, *e.g., Grob Plating Co.* v. *Kent-Owens Mach. Co.,* 10 Ohio L. Abs. 367 (Ct. App. 1931). Relief is not granted if there is no breach of contract or fiduciary obligattion. As Judge Taft held in *Cincinnati Bell Foundry Co.* v. *Dodds,* 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154, 154-155 (Super. Ct. 1887), while "he who discovers and keeps secret a process of manufacture, whether a proper subject for a patent or not, has a property in it which a court of equity will protect against one who in violation of contract and breach of confidence undertakes to apply it to his own use, or to disclose it to third persons," such a person *"has not an exclusive right to it as against the public or against those who, in good faith, acquire knowledge of it."* (Emphasis added.)

While a trade secret is not destroyed by disclosure to such of the proprietor's "employes to whom it is necessary to communicate the secret, in order that he may use them to advantage," *National Tube Co.* v. *Eastern Tube Co., supra,* 3 Ohio C.C.R. (n.s.) at 462, and *B. F. Goodrich* v. *Wohlgemuth, supra,* 117 Ohio App. at 499-500, 192 N.E.2d at 104, and while access to the premises, where the secret processes are used, by visitors, customers, suppliers or others will not

destroy secrecy if such secrets are not thereby revealed or if such persons do not understand the significance of what they saw, *Cincinnati Bell Foundry Co.* v. *Dodds, supra,* 19 Weekly L. Bull. at 86, 10 Ohio Dec. Reprint at 157, there must still be a substantial element of secrecy:

> "It would be a violation of every right of the employe of a manufacturer to prevent the former from using, in a business of his own, knowledge which he acquired in the employ of the latter, when he might have acquired such knowledge in the employ of other manufacturers." *Cincinnati Bell Foundry Co.* v. *Dodds, supra,* 19 Weekly L. Bull. at 84, 10 Ohio Dec. Reprint at 155.

Accordingly, the Ohio Supreme Court has held that a former employee cannot be enjoined from soliciting customers of his former employer when the identity of such customers was in no wise a secret. *Curry* v. *Marquart,* 133 Ohio St. 77, 11 N.E.2d 868 (1937).

Ohio law recognizes that a trade secret does not have the permanence of a patent. The proposition is clearly put in *National Tube Co.* v. *Eastern Tube Co.,* 3 Ohio C.C.R. (n.s.) 459, 462 (Cir. Ct. 1902), *aff'd,* 69 Ohio St. 560, 70 N.E. 1127 (1903):

> "A trade secret is a plan or process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it is necessary to confide it, in order to apply it to the uses for which it is intended. It is not protected by patent, for the secret then is made public, and the inventor is protected by letters patent from infringement thereof; while, *as soon as anyone fairly and honestly discovers a trade secret, either by examination of the manufactured products sold or offered for sale to the public, or in any*

> *other honest way, that person discovering it has full right to use the same.* That is the risk the owner takes, and if he would have further protection, he must seek it in a patent." (Emphasis added.)

Finally, except in the most aggravated circumstances, even upon the finding of an appropriation of trade secrets in breach of a fiduciary duty, the Ohio courts do not enjoin competition by the employee; they only enjoin the use or disclosure of such secrets. *B. F. Goodrich Co.* v. *Wohlgemuth, supra,* 117 Ohio App. at 500, 192 N.E.2d at 105, is typical; there the court enjoined the former employee's future improper disclosure of Goodrich's trade secrets in the manufacture of space suits, but refused to exclude him from the space suit business, stating:

> "We have no doubt that Wohlgemuth had the right to take employment in a competitive business, and to use his knowledge (other than trade secrets) and experience, for the benefit of his new employer, ..."

The Sixth Circuit also recognizes this to be the law of Ohio, for in *W. R. Grace & Co.* v. *Hargadine,* 392 F.2d 9, 20 (6th Cir. 1968), it said in a case in which it affirmed a substantial damage award in view of defendants' appropriation of plaintiff's trade secrets:

> "And defendants have an undoubted right to compete against plaintiff Grace so long as they do not use Grace's assets in doing so."

II. THE PATENT CODE (35 U.S.C.) DOES NOT PREEMPT STATE TRADE SECRET LAW AS APPLIED IN THIS CASE.

The district court carefully reviewed the testimony and exhibits adduced at the trial of this action. On

the basis of the evidence, it made 110 findings of fact and 8 conclusions of law. The findings of fact analyzed Kewanee's claimed trade secrets and the district court painstakingly separated those which were protectable under the applicable law from those which were not subject to protection (Fdg. 94-102, App. 82-83). The district court made detailed factual findings with respect to Bicron's claim that Kewanee had been lax in securing its secrets (Fdg. 105-107, App. 84-85), but ultimately found that "not sufficient disclosure occurred so as to place the claimed trade secrets in the public domain" (Fdg. 108, App. 85). Both parties appealed, and each urged the court of appeals to review that part of the district court's findings and conclusions which had held against it on the trade secret issue. In that respect the court of appeals wholly affirmed the district court,[5] stating:

> "Suffice it to say that the District Judge fully considered all of the evidence offered, and that the alleged errors are based upon the appellant's and cross-appellants' disagreement with the trial court's evaluation of the credibility of the witnesses and the weight of the evidence. It is not for this Court to reconsider the credibility of the witnesses or to reweigh the evidence.
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> * * *
>
> "If only the issues already discussed had been presented to this Court we would be required

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[5] The Sixth Circuit apparently regarded the situation as similar to that which it faced in *W. R. Grace & Co.* v. *Hargadine, supra,* 392 F. 2d at 14-15:

> "Defendants also point to a great deal of evidence which may be regarded as proof of laxity in security precautions on the part of DuBois prior to the Grace purchase, ... As we view this record, the testimony presented a conflict of evidence on the trade secrets issue which was appropriate for jury resolution."

to affirm the judgment of the District Court." (478 F.2d at 1077-78; Pet. App. A5)

This Court has long recognized what has come to be known as the "two court rule." Under this doctrine, this Court will not "undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error." *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 336 U.S. 271, 275 (1949); *Comstock* v. *Group of Institutional Investors*, 335 U.S. 211, 214 (1948). Both courts below concurred with respect to the findings of fact. Accordingly, these findings should be accepted as correct and controlling here.

A. The Sixth Circuit Improperly Found That the Injunction Permitted Kewanee to Monopolize the Public Domain.

The reasoning of the Sixth Circuit proceeded essentially as follows: The policy of the Patent Code [6] is to prevent persons from monopolizing any part of the public domain except pursuant to a federal statutory patent grant. A use which would be a statutory bar to the issuance of a patent under 35 U.S.C. § 102(b) makes that use a part of the public domain. On this basis, the court of appeals came to the conclusion that the Patent Code [7] preempts this area of the law so that

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[6] The term "Patent Code" will be used in this Brief to refer to "An Act to revise and codify the laws relating to patents and the Patent Office, and to enact into law title 35 of the United States Code entitled 'Patents,'" and its complete citation is Public Law 593, 82nd Congress, 2nd Session, Chapter 950, 66 Stat. 792, approved July 19, 1952.

[7] The Sixth Circuit did not suggest that a state's limited protection of trade secrets would be repugnant to Art. I, § 8, Cl. 8 of the Constitution, standing alone and apart from the Patent Code. This Court's subsequent decision in *Goldstein* v. *California*,

courts may not grant trade secret protection to processes the use of which would fall within section 102(b) because otherwise the owner of the process would be permitted to monopolize the public domain other than through a statutory patent grant (478 F.2d at 1086; Pet. App. A24-A25). This conclusion fails for each of the two reasons discussed below.

1. The injunction did not grant to Kewanee the common law equivalent of a patent monopoly.

Kewanee did not seek a monopoly, or anything resembling a monopoly. It sought no protection against anyone other than Bicron. The essence of a patent monopoly is that the patentee has the right to exclude *all others* from making, using or selling his patented product *even against one who has independently developed an infringing product.* As this Court stated in *United States* v. *Berdan Fire-Arms Mfg. Co.,* 156 U.S. 552, 566 (1895):

> "Nor would it be a defense to the action that such person had, subsequent to Berdan's invention, *and without knowledge thereof,* devised the contrivance which he was using. He would be in the attitude of a subsequent inventor, and *the prior inventor is the one who, under the statutes, is entitled to the monopoly.*" (Emphasis added.)

Kewanee did not receive the equivalent of a patent monopoly, for neither Ohio law nor the injunction protects Kewanee against persons who independently

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412 U.S. 546, 552-558 (1973) establishes, *a fortiori,* that there is no repugnance. See also *Livingston* v. *Van Ingen,* 9 Johns. 507, 550, 581 (N.Y. 1812) and Bugbee, *The Genesis of American Patent and Copyright Law,* pp. 90-102, esp. at 102 (Public Affairs Press 1967).

discover its secrets. See *Cincinnati Bell Foundry Co.* v. *Dodds, supra,* 19 Weekly L. Bull. at 84, 10 Ohio Dec. Reprint at 154-55; *Water Services, Inc.* v. *Tesco Chemicals, Inc.,* 410 F.2d 163, 172 (5th Cir. 1969). The protection of the injunction was limited to Bicron Corporation and the Individual Respondents, and did not affect any other person.

Moreover, unlike a patent monopoly, neither the injunction nor Ohio law gives Kewanee rights for any fixed period. The injunction expires by its own terms as to any secret upon the happening of any of the following events:

—Release to the public of the trade secret by plaintiff;

—Issuance of a patent disclosing the trade secret;

—If the trade secret in any other way becomes generally available to the public;

—If the trade secret in any other way becomes generally available to members of the industry; or

—Acquisition by defendants of the trade secret from any source having the legal right to convey such information (Inj., para. D, App. 94).

Finally, the injunction precluded only the use and disclosure of Kewanee's secrets. Bicron was left free to make, use and sell sodium iodide thallium activated scintillation crystals in competition with Kewanee, as are all others in the world. The district court stated in conclusion 7 (App. 89-90):

"Indeed it is inevitable that some of the knowledge acquired while in the former employment should be made available to the new employer, and courts will not deprive the employee of the

> right to use the skill he developed through the years."

Thus, Kewanee did not receive the common law equivalent of a patent monopoly nor was it protected from competition.

2. A "public use" under 35 U.S.C. § 102(b) cannot be equated with the term "public domain."

The position of the Sixth Circuit is that section 102(b) determines for all purposes what is in the public domain. But this is not what section 102(b) says. It provides that no patent may issue if its subject was "in public use" for more than one year before a patent is applied for. But, as here, a process may be in "public use," and thus bar the issuance of a patent, without being in the public domain. This is the essence of a trade secret. It is in use, but it is not known to the public, and thus is not in the public domain. As Judge Rich said in *Mine Safety Appliances Co.* v. *Electric Storage Battery Co.*, 405 F.2d 901, 902 n.2 (C.C.P.A. 1969):

> "[Appellee] also argues, as is all too prevalent, that the *patent laws* put things *into* the public domain when patents expire. Patent laws function only to keep things *out* of the public domain temporarily. They have nothing to do with putting things into it. They say nothing about right to copy *or* right to use, they speak only in terms of right to *exclude.*" (Emphasis in original.)

Patent law has evolved so that, today, an admittedly private and secret use, if it has been a commercial use, is nevertheless held to be a "public use" within the meaning of section 102(b), the policy of which is to preclude such a user from obtaining a federally

protected 17-year statutory monopoly,[8] good against all persons. The leading case on this point is *Metallizing Engineering Co.* v. *Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2d Cir. 1946), certiorari denied, 328 U.S. 840 (1946). The panel in that case consisted of the two Hands and Charles Clark, later Chief Judge; the opinion was by Judge Learned Hand. Although the application for the patent in suit was filed on August 6, 1942, the district court found that the inventor had used the patented process more than one year prior to that date, and that his " 'main purpose in his use of the process prior to August 6, 1941 and especially in respect to all jobs for owners not known to him, was commercial, . . .' " (153 F.2d at 517). It also found, however, "that the use was not public but secret" (153 F.2d at 518). The question for decision before the Second Circuit was, then, whether a secret commercial use was nevertheless a "public use" within the meaning of section 102(b). Judge Hand carefully analyzed prior decisions, including many decisions of this Court, and concluded that such a secret use was nevertheless a "public use." He held (153 F.2d at 520) that:

> ". . . it is a condition *upon an inventor's right to a patent* that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly. It is true that for the limited period of two years he was allowed to do so, possibly in order to give him time to prepare an application; and even that has been recently cut down by half. But if he goes beyond that period of

[8] Of course a "public use" under section 102(b) could also, depending on the facts, be so open and notorious as to result in a finding that the use was published for all purposes.

probation, he forfeits his right *regardless of how little the public may have learned about the invention;* . . .

* * *

". . . *it is part of the consideration for a patent* that the public shall as soon as possible begin to enjoy the disclosure." (Emphasis added.)

This decision is significant for two reasons. First, it shows that a section 102(b) finding of "public use" does not establish what has been published as a matter of fact and for all other purposes, for something the court conceded was secret was found to be "public" for purposes of section 102(b). Secondly, the decision shows that the disability which is brought about upon a finding of "public use" is limited to the forfeiture of the user's "right to a patent." "Public" as used in section 102(b) is a specialized term of art having significance only for purposes of determining the right to a federal statutory monopoly and not otherwise.[9] See *Goldstein* v. *California,* 412 U.S. 546, 570 n. 28 (1973).

Judge Hand's analysis of this Court's decisions was surely correct, for it would hardly be possible to argue seriously that the "public use" of corset stays in a corset worn by a lady friend of the inventor which barred a patent in *Egbert* v. *Lippmann,* 104 U.S. 333, 335 (1881), thereby placed the corset stays within the

[9] The correctness of this proposition is confirmed by looking at the converse of the situation under consideration, namely, an open, notorious and fully publicized *experimental use* by the inventor. Trade secret protection would be denied to a process which was thus publicly used, although that same public use would be found not "public" under § 102(b) because of its experimental nature. *Elizabeth* v. *Pavement Co.,* 97 U.S. 126, 135-37 (1877); *Electric Storage Battery Co.* v. *Shimadzu,* 307 U.S. 5, 20 (1939).

public domain. And in *Hall* v. *Macneale,* 107 U.S. 90, 96-97 (1882), a patented connection between the door and casing of safes was found to be in "public use" barring a patent even though the details thereof "were, it is true, hidden from view, after the safes were completed, and it required a destruction of the safes to bring them into view." Would this Court construe that holding to mean that the safe construction was thereby in the public domain, in a suit against a former employee who appropriated his employer's secret blueprints of the construction and did not learn of the construction through dismantling the safe?

Judge Hand's decision represents the accepted interpretation of "public use" under § 102(b).[10] As the Sixth Circuit wrote in *Huszar* v. *Cincinnati Chemical Works,* 172 F.2d 6, 10 (6th Cir. 1949):

> "It has at times been thought that a use is not public if, from an examination of the product, neither the process nor the machine by which the product was made could be understood by the art and contribute to its development. All this is now water over the dam. In the meticulous study made by Judge Learned Hand in Metallizing Engineering Co., Inc. v. Kenyon Bearing & Auto Parts Co., Inc., 2 Cir., 153 F.2d 516, the course of adjudication is charted from the early days to the present, and the conclusion soundly reached that the inventor's right to a patent is conditioned upon refraining from exploiting his discovery competitively after the invention is ready for patenting; . . . regardless of how little

[10] The doctrine established in the *Metallizing* case has been adopted in other circuits. See *Pickering* v. *Holman,* 459 F. 2d 403, 406 (9th Cir. 1972); *Soffron* v. *S. W. Lovell & Co.,* 246 F. 2d 769, 770-72 (1st Cir. 1957); *U. S. Chemical Corp.* v. *Plastic Glass Corp.,* 243 F. 2d 892, 894 (3d Cir. 1957).

> the public may have learned about the invention. We agree with this conclusion and our own decisions, notably Macbeth-Evans Glass Co. v. Gen. Elec. Co., 6 Cir., 246 F. 695, support it."

Current law is accurately summarized in *Solo Cup* v. *Paper Mach. Corp.*, 240 F. Supp. 126, 130 (E.D. Wis. 1965):

> ". . . it is well settled that the commercial exploitation of a secret process or a machine maintained in secrecy, by the sale of its product constitutes a public use under § 102(b)."

It follows that a use may be "public" within section 102(b) and also secret. Thus the determination that there has been a "public use," though important under the patent law, has no relationship to the question whether a process has been kept secret for purposes of the application of a state's trade secret law.

B. Sears, Compco and Lear All Support the Conclusion That the Patent Code Precludes Protection Under State Law Only of Things Which as a Matter of Fact, Are Known to or Readily Available to the Public.

The Sixth Circuit thought that its decision was compelled by this Court's opinions in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969). In fact, however, those cases are wholly consistent with Kewanee's position here. In those cases this Court held that state common law could not be relied upon to give a monopoly over products in general circulation which were fully disclosed both by examination of the products involved which had been publicly sold, and by patents which had issued on those products. In all

three cases, therefore, the subject matter for which state law protection was sought was clearly and admittedly in the public domain in the fullest *factual* sense of that term. This is not the case in the present action.

In *Sears,* the subject matter for which protection was sought under the unfair competition law of Illinois was a pole lamp. The sale of the pole lamp had fully disclosed every aspect of its design. Moreover, all of the details of the lamp were presumably fully disclosed to the world through the "design and mechanical patents on" the lamp which had been issued to respondent (376 U.S. at 225).

In *Compco,* protection under the Illinois law of unfair competition was sought for the design of a fluorescent lighting fixture. The lighting fixture had, however, been freely sold in commerce and its design was fully disclosed to anyone who made a simple inspection of it. In addition, the design of the fixture was necessarily fully disclosed in the design patent which issued to respondent on the fixture, the function of patents being, of course, the "full disclosure for the benefit of the public of the manner of making and using the invention." *Scott Paper Co.* v. *Marcalus Mfg. Co.,* 326 U.S. 249, 255 (1945).

Similarly, in *Lear,* with respect to the period of time following the issuance of Lear's patent in 1960, which is the only period with respect to which this Court rendered a decision (395 U.S. at 674-675), the subject matter for which Adkins was seeking payment without putting his patent in issue was, by definition, fully and completely disclosed in that patent. Presumably, it was also fully disclosed by the sale of the gyroscopes for many years prior to 1960 by Lear, Inc.

Accordingly, in each of the three cases the plaintiff was seeking protection or tribute for an article which was admittedly in the public domain and the decisions can be understod as dealing only with published ideas —ideas in general circulation. As Mr. Justice Harlan, writing for the Court in *Lear, supra,* 395 U.S. at 668, stated:

> "On the other hand, federal law requires that all ideas *in general circulation* be dedicated to the common good unless they are protected by a valid patent. [Citing *Sears* and *Compco*]." (Emphasis added.)

In both *Sears* and *Compco* the plaintiff's position was, quite literally, that it was entitled to a *perpetual monopoly* over an article of commerce in the public domain.

> "The judgment below . . . gave Stiffel the equivalent of a patent monopoly on its unpatented lamp." *Sears, Roebuck & Co.* v. *Stiffel, supra,* 376 U.S. at 233.

This followed because in both *Sears* and *Compco* the features which were said to give the product secondary meaning, and entitle plaintiffs to common law protection, resided in the very configuration of the product itself. According to the plaintiffs in those cases, no one could ever have manufactured an identical pole lamp, even if it were developed independently of the Stiffel pole lamp, because the configuration of the lamp was said to identify Stiffel as its source. No one could manufacture an identical lighting fixture, even if it were developed independently of the Day-Brite lighting fixture, because the configuration of the fixture was said to denote Day-Brite as its source. See *Painton & Co.* v. *Bourns, Inc.*, 442 F.2d 216, 223 (2d Cir. 1971).

In *Lear,* plaintiff's contention was not quite so expansive, but he was claiming full monopoly tribute from his licensee without having to establish that his alleged invention was in fact a patentable invention which provided valid consideration for the patent monopoly.

The decisions in those cases were, in Kewanee's view, fully correct and it does not urge this Court to qualify them in any way. They do not, however, reach the question involved in this case. For here two courts below have held that the secrets which Kewanee desires to protect, and which were given only limited protection by the injunction, were adequately kept secret, were not in general circulation and were not part of the public domain.[11] Indeed, even Mr. Justice Black,

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[11] The one alleged secret (Secret (1)(e) listed in Fdg. 39 at App. 59; see Brief of Respondents in Opposition, p. 8, note 10) as to which plaintiff had sought patent protection, and abandoned its application after it had been allowed, was found by both courts below not to be a protectable trade secret and no relief was awarded as to it (Paragraph A. (1) of Order for Permanent Injunction when read with Fidings 94 and 39, App. 82 and 59-61). Accordingly, while filing a patent application would not seem to waive the right to trade secret protection (since patent applications, both pending, 35 U.S.C. § 122 and 37 C.F.R. § 1.14(a), and abandoned, 37 C.F.R. § 1.14(b) and *Sears* v. *Gottschalk*, 178 U.S.P.Q. 33 (E.D. Va. 1973), are maintained in confidence in the Patent Office), determination of the effect of filing an application for United States Letters Patent on trade secret protection is not raised by this record. It is believed that the alleged admission attributed to counsel in 478 F. 2d at 1078, second column, last full paragraph, was derived from a statement of counsel relating to the above situation only, which, in fact, went no further than, and was based on, testimony at Tr. 1264-1267. The Clerk of the Sixth Circuit has advised that there was no recordation of oral argument below. Certainly, Kewanee did not contend or concede below, just as it does not contend or concede here, that a trade secret proprietor is entitled to a "monopoly" for any period at all, let alone for longer than 17 years.

dissenting in *Lear,* would seem to agree, for he said in 395 U.S. at 677 that one "who makes a discovery may, of course, keep it secret if he wishes. . . ." Petitioner is not attempting to obtain monopoly protection. The limited protection which it seeks against Bicron is not with respect to matters in the public domain. Accordingly, *Sears, Compco* and *Lear* all point to the conclusion that there is no preemption here, and that the application of Ohio law to the facts found in the instant case by the district court was in all respects proper.

Goldstein v. *California, supra,* 412 U.S. 546, also supports this conclusion. There this Court upheld a California statute which imposed criminal penalties on "every person" who copied musical recordings, admitted to have been freely available to the public, against a claim of preemption by the federal copyright laws. Ohio trade secret law is considerably less expansive than was the California statute there upheld, for while trade secret law also prohibits copying only and not independent development, it does not protect materials freely available to the public, and operates only against copiers who stand in a fiduciary or contractual relationship to the trade secret proprietor. Since Ohio trade secret law has a much narrower scope than the statute upheld in *Goldstein,* that case strongly supports Kewanee's position here.

All circuits which have considered this question, other than the Sixth Circuit, agree that there is no preemption: *Painton & Co.* v. *Bourns, Inc., supra,* 442 F.2d at 222-226; *Dekar Industries, Inc.* v. *Bissett-Berman Corp.,* 434 F.2d 1304, 1306 (9th Cir. 1970), certiorari denied, 402 U.S. 945 (1971); *Water Services Inc.* v. *Tesco Chemicals, Inc., supra,* 410 F.2d at 171-

172; *Servo Corporation of America* v. *General Electric Co.*, 337 F.2d 716, 724-725 (4th Cir. 1964), certiorari denied, 383 U.S. 934 (1966). The commentators have reached the same conclusion. See, *e.g.*, Note, *Trade Secrets Law After Sears and Compco*, 53 VA. L. REV. 356 (1967); Note, 85 HARV. L. REV. 477 (1970). Moreover those commentators who have had an opportunity to consider the Sixth Circuit's decision agree that it is unsound. Note, *Kewanee Oil Company* v. *Bicron Corportation: Can Trade Secrets Survive It?*, 25 BAYLOR L. REV. 519 (1973); Wydick, *Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee* (to be published in the November and December issues of the *Journal of the Patent Office Society*).

C. The Interests Protected by the Ohio Law of Trade Secrets Are Different from, and Do Not Conflict with, Federal Patent Policy.

Ohio trade secret law operates in a different sphere than the Patent Code and serves a different interest. Federal patent law exists "for the purpose of encouraging useful invention." *Bauer & Cie.* v. *O'Donnell*, 229 U.S. 1, 10 (1913). "As a reward for inventions and to encourage their disclosure, the United States offers a seventeen-year monopoly to an inventor who refrains from keeping his invention a trade secret." *Universal Oil Products Co.* v. *Globe Oil & Refining Co.*, 322 U.S. 471, 484 (1944).

Ohio trade secret law, on the other hand, is intended to deter basic dishonesty in appropriating secrets in breach of contract or fiduciary duty. *National Tube Co.* v. *Eastern Tube Co., supra*, 3 Ohio C.C.R. (n.s.) at 462:

> "The necessity of good faith and honest, fair dealing, is the very life and spirit of the com-

> mercial world. It is absolutely necessary that it should be protected and enforced by courts. . . ."

See also, 4 RESTATEMENT OF TORTS § 757, comment (b) at 7 (1939) (Pet. App. A28-A29), quoted in *W. R. Grace Co.* v. *Hargadine, supra,* 392 F.2d at 14:

> " 'The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. The protection is merely against breach of faith and reprehensible means of learning another's secret.' "

The words of Mr. Justice Holmes in *E. I. du Pont de Nemours Powder Co.* v. *Masland,* 244 U.S. 100, 102 (1917), make the point well:

> "Therefore the starting point for the present matter is not property or due process of law but that the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations."

Surely, for example, when an inventor takes his new idea to a large corporation which did not previously know of it and discloses it in reliance upon an express agreement by that corporation to keep it in confidence and not to use it without making fair arrangements as to compensation, and the corporation refuses the idea but thereafter, in breach of that agreement, puts the idea to "public use" for over one year before the inventor discovers what has been done, a tribunal applying state law may properly grant the inventor legal or equitable relief. Only when the protection sought

to be granted amounts to a patent monopoly on the fully published thing itself, as it did in *Sears* and *Compco,* is there any conflict between the policy of state law and federal law such as to warrant a finding of preemption.

States are not ousted from the exercise of legitimate powers merely because that exercise can be thought in some way to touch upon federal patents. Thus, an inventor may be punished for selling patented products in violation of criminal laws passed in implementation of a state's police power. *Patterson* v. *Kentucky,* 97 U.S. 501, 503 (1878), where it is stated that the right to a patent:

> ". . . is not granted or secured, without reference to the general powers which the several States of the Union unquestionably possess over their purely domestic affairs, whether of internal commerce or of police."

Similarly, a state may assess a tax for a license authorizing the sale of a patented product, *Webber* v. *Virginia,* 103 U.S. 344 (1880). It has also been held that a state may reasonably regulate the transfer of the patent grant, itself, *Allen* v. *Riley,* 203 U.S. 347, 355 (1906), in order "to protect its citizens from fraud." A state, under long standing common law, should also be able to apply its law to protect its citizens from the fraudulent appropriation of trade secrets, whether they are fit subjects for a patent or not, or are patentable.

Certainly, in the usual case this Court acts very slowly before finding that the unstated radiations of a federal statute require negation of a state's long standing common law which implements its police powers. "Any such rule of law, being in derogation

of the common law, must be strictly construed, for '[n]o statute is to be construed as altering the common law, farther than its words import. It is not to be construed as making any innovation upon the common law which it does not fairly express.'" *Herd & Co.* v. *Krawill Mach. Corp.*, 359 U.S. 297, 304-305 (1959), following *Shaw* v. *Railroad Co.*, 101 U.S. 557, 565-566 (1879); *accord, Johnson* v. *Southern Pacific Co.*, 196 U.S. 1, 17 (1904).

Moreover, ours is a federation in which the states have substantial police powers reserved to them by the Tenth Amendment. They may act, as Ohio has done with respect to trade secrets, by both their common law, as previously discussed, and by criminal statute, see O.R.C. § 1331.51(C),[12] to protect their citizens from fraud, dishonesty, theft and breach of contract or fiduciary duty. To compel states to condone such reprehensible conduct, if the subject thereof is trade secrets, would drastically curtail state power. This Court has held that "unless Congress conveys its purpose clearly, it will not be deemed to have significantly changed the federal-state balance. * * * In traditionally sensitive areas, such as legislation affecting the federal balance, the requirement of clear statement assures that the legislature has in fact faced, and intended to bring into issue, the critical matters involved in the judicial decision." *United States v. Bass*, 404 U.S. 336, 349 (1971). There is no suggestion here that Congress "has in fact faced, and intended to bring into issue, the critical" question whether the 1952 Patent Code operated substantially to preempt state protection of trade secrets.

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[12] See also the citations to 20 other state criminal trade secret statutes in Appendix B of *Brief Amicus Curiae by the Licensing Executives Society in Support of Petition for Writ of Certiorari.*

D. Kewanee's Position Is Confirmed by the Enactment of the 1952 Patent Code at a Time When This Court's Decisions Recognized the Protectability of Trade Secrets.

It is a well settled principle of construction that the re-enactment of a federal statute carries with it, in the absence of clear expression to the contrary, the interpretations which had been put on the previous versions of the statute with essentially similar wording. *Sessions* v. *Romadka,* 145 U.S. 29, 41-42 (1892); *United States* v. *Ryan,* 284 U.S. 167, 174-75 (1931); *Missouri* v. *Ross,* 299 U.S. 72, 75 (1936), *Electric Storage Battery Co.* v. *Shimadzu, supra,* 307 U.S. at 14; *Shapiro* v. *United States,* 335 U.S. 1, 16, 20 (1948); *Bridges* v. *United States,* 346 U.S. 209, 221 (1953) and cases cited at the pages indicated. The present action presents a particularly apt occasion for application of this principle. Many times prior to the codification of the patent laws in 1952, this Court held that state trade secret law could peacefully coexist with the federal patent law. In view of these holdings, there is no basis for thinking that Congress could have intended that by enacting the Patent Code it was doing away with the states' right to protect trade secrets from misappropriation by persons who stood in a fiduciary relationship to the trade secret proprietor and had expressly agreed to keep the secrets in confidence.

The full recognition of trade secret law by this Court before the enactment of the Patent Code in 1952 is evidenced in many opinions. A clear statement was made by Mr. Justice Brandeis (who was not generally an advocate of private monopoly) in his dissenting opinion in *International News Service* v. *Associated Press,* 248 U.S. 215, 248 *et seq.* (1918). He there stated 215 U.S. at 250-51:

> "The inventions and discoveries upon which this attribute of property is conferred only by statute,

> are the few comprised within the patent law. There are also many other cases in which courts interfere to prevent curtailment of plaintiff's enjoyment of incorporeal productions; and in which the right to relief is often called a property right, but is such only in a special sense. In those cases, the plaintiff has no absolute right to the protection of his production; he has merely the qualified right to be protected as against the defendant's acts, because of the special relation in which the latter stands or the wrongful method or means employed in acquiring the knowledge or the manner in which it is used. Protection of this character is afforded where the suit is based upon breach of contract or of trust or upon unfair competition."

The majority opinion in *International News,* of course, even more clearly supports Kewanee here.

The language used by the Court in *Dr. Miles Medical Co.* v. *John D. Park & Sons Co.,* 220 U.S. 373, 402 (1911) is similar:

> "So far as appears, there are no letters patent relating to the remedies in question. The complainant has not seen fit to make the disclosure required by the statute and thus to secure the privileges it confers. Its case lies outside the policy of the patent law, and the extent of the right which that law secures is not here involved or determined.
>
> "The complainant relies upon the ownership of its secret process and its rights are to be determined accordingly. Any one may use it who fairly, by analysis and experiment, discovers it. But the complainant is entitled to be protected against invasion of its right in the process by fraud or by breach of trust or contract."

In *Becher* v. *Contoure Laboratories, Inc.*, 279 U.S. 388, 391 (1929) Mr. Justice Holmes said, speaking for the Court:

> ". . . that suit had for its cause of action the breach of contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject matter of Oppenheimer's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust. *Irving Iron Works* v. *Kerlow Steel Flooring Co.*, 96 N.J. Eq. 702. *Du Pont de Nemours Powder Co.* v. *Masland*, 244 U.S. 100. Oppenheimer's right was independent of and prior to any arising out of the patent law. . . ."

This Court has emphasized the fact that secrecy is a perfectly lawful alternative to disclosure in a patent application with the hope of protection under the 17-year monopoly of the patent laws. Thus, in *United States* v. *American Bell Telephone Co.*, 167 U.S. 224, 250 (1897), the Court noted that the inventor of something of value "may withhold the knowledge of it from the public" on the one hand or, on the other, "he may insist upon all the advantages and benefits which the statute promises to him who discloses to the public his invention." See also *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U.S. 405, 424 (1908). The same alternative was noted in *United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933), which held that the inventor "may keep his invention secret and reap its fruits indefinitely." Since he has the right to do so, it is "[i]n consideration of its disclosure and the consequent benefit to the community [that] the patent is granted." *Accord, Universal Oil Products Co.* v. *Globe Oil & Refining Co., supra*, 322 U.S. at 484.

The Patent Code of 1952, including 35 U.S.C. § 102(b), must be understood to have incorporated this undeviating line of decisions. Accordingly, the Patent Code provides no basis for Bicron's claim of preemption.

E. The Sixth Circuit's Proposed Test Operates Capriciously and Leads to Illogical Results.

The Sixth Circuit limited its rule invalidating trade secrets to those secrets which were "an appropriate subject for patent under the United States Patent Laws" (478 F.2d at 1086; Pet. App. A24), "that is appropriate subjects for consideration under the provisions of Title 35 U.S.C. § 101" (478 F.2d at 1078; Pet. App. A7). Such a test would seem to be capricious and to implement no ascertainable societal policy. Computer programs, which are not ordinarily patentable, *Gottschalk* v. *Benson,* 409 U.S. 63 (1972), would be protectable as trade secrets, as would confidential customer lists, natural processes, see, *e.g., Funk Bros. Seed Co.* v. *Kalo Inoculant Co.,* 333 U.S. 127 (1948), and market quotations, *cf. Board of Trade* v. *Christie Grain & Stock Co.,* 198 U.S. 236 (1905), for none is patentable. On the other hand, a "process, machine, manufacture, or composition of matter," if used secretly for over a year or, presumably, otherwise failing to meet the requirements of 35 U.S.C. §§ 102 or 103, could not be protected as trade secrets because each is patentable subject matter under 35 U.S.C. § 101. How can Congress be presumed to have intended such a capricious and irrational result? The secrecy surrounding the formula for Coca-Cola has become part of American folk lore. Klein, *The Technical Trade Secret Quadrangle: A Survey,* 55 Nw. U.L. Rev. 437, 438 (1960). Could Congress have intended that the question whether a Coca-Cola employee could steal that secret

and sell it to a competitor should turn on whether the formula was patentable?

A statutory construction which results in "absurd consequences" should be "avoided." *United States* v. *Ryan,* 284 U.S. 167, 175 (1931). The Sixth Circuit's test would certainly lead to arbitrary distinctions which were never intended by the Patent Code. The decision below should therefore be reversed.

F. Protection of Trade Secrets is Consistent with Federal Antitrust Policy.

Some commentators have seen in the *Sears* and *Compco* decisions a reflection of federal antitrust policy. See, *e.g.,* Sutton, *Trade Secrets—Federal Preemption and Legislative Solutions,* 1971 PATENT LAW ANNUAL 129, 142 *et seq.* (Southwestern Legal Foundation); Doerfer, *The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy,* 80 HARV. L. REV. 1432, 1457 (1967). But federal antitrust policy has not only emphasized free and open competition, it has emphasized fair competition, as the Ohio courts have recognized, *Crown Overall Mfg. Co.* v. *Levy Overall Mfg. Co.,* 16 Ohio N.P. (n.s.) 561, 564-65 (Super. Ct. 1914), *aff'd as modified,* 24 Ohio C.C. (n.s.) 556 (Ct. App. 1916. A seller cannot compete in sales of his products, even though his competitor's products are staple items long in the public domain, by engaging in the discrimination forbidden by the Robinson-Patman Act, 15 U.S.C. § 13, *et seq.* Even though its competitors' products have long been in the public domain, a business concern cannot engage in "unfair methods of competition in commerce," or "unfair or deceptive acts or practices in commerce" in violation of § 5(a)(1) of the Federal Trade Commission Act, 15 U.S.C. § 45.

The Commission has long construed its mandate to include enforcemen of the Act against competitors who pirate the trade secrets of others. *See*, ANNUAL REPORT OF THE FEDERAL TRADE COMMISSION, at 82-83 (1939):[13]

> "The following list illustrates unfair methods of competition and unfair or deceptive acts and practices condemned by the Commission from time to time in its orders to cease and desist.
>
> * * *
>
> "4. Procuring the business or trade secrets of competitors by espionage, or by bribing their employees, or by similar means."

Cf. In re The Oakes Co., 3 F.T.C. 36 (1920).

The Sherman Act, 15 U.S.C. §§ 1 and 2, has frequently been construed to reach acts of unfair competition, including misappropriation of trade secrets, when done pursuant to a conspiracy to destroy a competitor in violation of § 1 or pursuant to a scheme or attempt to monopolize in violation of § 2. *Atlantic Heel Co.* v. *Allied Heel Co.*, 284 F.2d 879 (1st Cir. 1960) (where one of the overt acts pursuant to the conspiracy was alleged to be a visit to plaintiff's plant for the "purpose of obtaining valuable and confidential trade secrets"); *Mitchell Woodbury Corp.* v. *Albert Pick Barth Co.*, 41 F.2d 148, 149 (1st Cir. 1930), *jury verdict for plaintiff affirmed*, 57 F.2d 96 (1st Cir. 1932), certiorari denied, 286 U.S. 552 (1932) (where the conspiracy allegations included a claim that former employees of plaintiff were induced to leave the plaintiff's employ and to take with them the plaintiff's "lists of customers, present and prospective, cost records, plans,

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[13] Cited in *F.T.C.* v. *Bunte Bros., Inc.*, 312 U.S. 349, 353-54 (1941.)

and other data necessary to the conduct of its said business"). See also *C. Albert Sauter Co.* v. *Richard S. Sauter Co.*, summarized at 42 U.S.L.W. 2233-2234 (E.D. Pa. Oct 5, 1973); *Forgett* v. *Scharf*, 181 F.2d 754 (3d Cir. 1950), certiorari denied, 340 U.S. 825 (1950); *Perryton Wholesale, Inc.* v. *Pioneer Distributing Co.*, 353 F.2d 618 (10th Cir. 1965), certiorari denied, 383 U.S. 945 (1966); *Caldwell-Clements, Inc.* v. *Cowan Publishing Corp.*, 130 F. Supp. 326 (S.D. N.Y. 1955); *Cleaves* v. *Peterboro Basket Co.*, 54 F.2d 101 (D. N.H. 1931).

The protection of trade secrets is consistent with and in furtherance of our national antitrust policy, not in conflict with it.

G. Federal Statutes, Treaties and Court Rules, Both Before and After Enactment of the 1952 Patent Code, Have Recognized the Protectability of Trade Secrets.

A great number of United States statutes existed on the 1952 date of passage of the Patent Code which expressly recognized and provided for trade secret protection under a variety of circumstances. Such statutes are set out in Appendix A to this Brief (Br. App. 1a-3a). The Federal Rules of Civil Procedure, former Rule 30(b) which became effective on September 16, 1938, the authority for the promulgation of which ultimately rests with Congress (see what is now 28 U.S.C. § 2072), recognized and provided for the protection of trade secrets. The United States has been a signatory to numerous treaties which contain provisions concerning the protection of trade secrets.[14]

[14] See, *e.g.*, Convention of Paris for the Protection of Industrial Property, March 20, 1883, revised periodically and at Lisbon on October 31, 1958, Art. 10bis(2), 13 U.S.T. 1, which provides that

This Court has held: "It is a cardinal principle of construction that repeals by implication are not favored." *United States* v. *Borden Co.*, 308 U.S. 188, 198 (1939), cited with approval in *Georgia* v. *Pennsylvania R.R. Co.*, 324 U.S. 439, 456-457 (1945), *Silver* v. *New York Stock Exchange*, 373 U.S. 341, 357 (1963) and *United States* v. *Zacks*, 375 U.S. 59, 67-68 (1963); *accord, Universal Interpretive Shuttle Corp.* v. *Washington Metropolitan Area Transit Comm.*, 393 U.S. 186, 193 (1968). Yet, the scope for operation of these Congressional actions will be so drastically reduced if the Sixth Circuit's judgment is affirmed as to amount to a repeal by implication. This result would not comport with the tenet that federal legislation is to be construed to preserve the usefulness of all provisions enacted by Congress. See *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U.S. 315, 333 (1938).

Moreover, this Court may look to these other Congressional actions as an aid to construction of the Patent Code. *Cf. Overstreet* v. *North Shore Corp.*, 318 U.S. 125, 131-132 (1943). They are particularly helpful since they represent a continuing and consistent body of statutory law. *Keifer & Keifer* v. *R.F.C.*, 306 U.S. 381,, 390-391 (1939) (analogous provisions in some 40 other statutes considered). Since these other acts *specifically* and *expressly* contemplate trade secret protec-

"Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition"; General Inter-American Convention for Trade Mark and Commercial Protection, February 20, 1929, Art. 20, 46 Stat. 2907 at 2930-2932, which provides that "Every act or deed contrary to commercial good faith or to the normal or honorable development of industrial or business activities shall be considered as unfair competition and therefore unjust and prohibited"; various treaties summarized at 2 CCH TAX TREATIES ¶ 10,011 (1971) under heading "Industrial secret."

tion, while the Patent Code is silent in this respect, the specific language should control and there is no preemption of trade secret protection. See *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222, 228-229 (1957). To accommodate all of these Congressional actions into one harmonious body of law, the construction of the Patent Code adopted by the Sixth Circuit should be rejected.

Even more to the point, the 1952 Patent Code itself, 35 U.S.C. § 24 (Br. App. 6a), provided that a witness could not be held in contempt "for refusing to disclose any secret matter except upon appropriate order of the court." This provision, the antecedents of which go back to Rev. Stat. § 4908, has long been construed to cover a "secret invention or discovery" in appropriate circumstances. *Herreshoff* v. *Knietsch*, 127 Fed. 492 (S.D. N.Y. 1904). The same statute which protects trade secrets can hardly be construed to have largely destroyed their legal enforceability, since "all sections of the Act must be reconciled so as to produce a symmetrical whole." *F.P.C.* v. *Panhandle Eastern Pipe Line Co.*, 337 U.S. 498, 514 (1949); see also *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, *supra*, 305 U.S. at 331-33.

Just as a number of federal statutes antedating 1952 authorize the protection of trade secrets, so a substantial number of statutes enacted after 1952 similarly reflect a Congressional intent that trade secrets enjoy protection in appropriate circumstances. These statutes are set out in Appendix B to this Brief (Br. App. 4a-11a). It should also be observed that many of the statutes set out in Appendix A were amended after 1952 and continued their recognition of trade secrets. Moreover, the 1970 amendments to the Federal Rules

of Civil Procedure continue to recognize the protectibility of trade secrets. FED. R. CIV. P. 26 (c). While Kewanee acknowledges that the understanding of a subsequent Congress cannot control the intention of an earlier Congress, this Court has held that "the later law is entitled to weight when it comes to the problem of construction." See *F.H.A.* v. *The Darlington, Inc.*, 358 U.S. 84, 90 (1958).

Here all of the relevant enactments, whether before or after 1952, point in one direction only: that the Patent Code did not in any way interfere with properly limited injunctions which protect the proprietor of trade secrets under state law from misappropriation by persons in breach of a fiduciary duty or agreement.

III. A LARGE VOLUME OF BUSINESS TRANSACTIONS HAS BEEN GENERATED IN RELIANCE UPON THE CONTINUING VALIDITY OF TRADE SECRETS AND THESE EXPECTATIONS SHOULD NOT BE IMPERILED.

It is well known that a large number of American manufacturers and inventors have acted in reliance upon the traditional law of trade secrets. Disclosures have been made to employees which would not otherwise have been made. License agreements have been entered into. Inventors have failed to file patent applications, choosing instead to rely on common law trade secret protection. Inventors have made disclosures to corporations in reliance on secrecy agreements. Commerce affected by these actions may well run into the billions of dollars. From the tenor of the *amicus* briefs filed in support of the petition for certiorari, it seems likely that this issue will be substantially canvassed in such *amicus* briefs on the merits, so it will not be further explored factually here.

The point for present purposes is that the enormous volume of commercial transactions which has been gen-

erated in reliance upon the continued validity of trade secret protection counsels strongly for conservation of the legal *status quo.*[15] See *Toolson* v. *New York Yankees, Inc.*, 346 U.S. 356 (1953); *reaffirmed in Flood* v. *Kuhn*, 407 U.S. 258 (1972). This principle is doubly applicable here for this Court has held that the forfeiture of valuable industrial property rights is "never to be inferred from doubtful [statutory] language." See *Washington Publishing Co.* v. *Pearson*, 306 U.S. 30, 42 (1939) (involving forfeiture of copyright rights).

There is one additional reason for adhering to existing law, if there be any doubt at all on the question. That reason arises out of the fact that Congress can intervene by legislation if it chooses, and determine the scope of the Patent Code following a decision by this Court. Should this Court reverse the Sixth Circuit and hold that 35 U.S.C. § 102(b) does not preempt state trade secret law, the only effect of such a holding, if Congress disagreed, would be continuation for perhaps another year of a body of law which has prevailed for over 100 years. If, however, this Court should hold that the law of trade secrets has been preempted to a substantial extent, and Congress disagreed, then all of the persons who were thereby released from their fiduciary duty could, in the interim between the decision of this Court and any corrective action of Congress, act to place any secret in the public domain by, for example, printing brochures fully disclosing

[15] The self-help remedies likely to be invoked to protect secret processes, should this Court hold them not protectable by a court, are not happy to contemplate. They are discussed in Wydick, *Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee, supra,* text accompanying footnotes 195-199.

it which would then be circulated to all members of the affected trade. When Congress thereafter acted to restore prior law, secrets so published in the interim would be irrevocably lost and hundreds of millions of dollars of commerce could be adversely affected.[16]

This argument is substantially strengthened by the fact that legislation now under active consideration provides that *Sears* and *Compco* shall not be extended to invalidate the law of trade secrets. Section 301 of S. 2504, the Administration's Patent Modernization and Reform Act of 1973, introduced on October 1, 1973 states:

> "§ 301. Non-preemption
>
> "(a) This title shall not be construed to preempt rights or obligations arising by operation of state law concerning trade secrets.
>
> "(b) Nothing in subsection (a) shall authorize any state to grant to any person the right to limit the full and free use by the public of ideas in the public domain or in general circulation."

The accompanying Message stated the Administration's view that "[d]ecisions of the Supreme Court in both of these areas [patents and trade secrets] would also be left undisturbed." 119 Cong. Rec. S 17902 (Sept. 27, 1973).

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[16] While Kewanee argues here for reversal of the Sixth Circuit's decision, it urges in the alternative that these considerations counsel for a limitation of the effect of any affirmance, should the Court choose to affirm, to the future only, or preferably to a date six months to a year after affirmance to give Congress an opportunity to act before any hiatus comes into existence. See *Chevron Oil Co.* v. *Huson*, 404 U.S. 97, 105-107 (1971).

CONCLUSION

For the reasons stated the judgment of the Sixth Circuit should be reversed, and the case remanded with instructions to affirm the decision of the district court.

Respectfully submitted,

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APPENDIX A

The following statutes and regulations deal with or refer to the protection of trade secrets and were enacted prior to enactemnt of the 1952 Patent Code. Emphasis has been supplied throughout to bring out the references to trade secrets.

Act of June 25, 1948, 62 Stat. 791, *as amended* **19 U.S.C. §1905 (1970).**

Whoever, being an officer or employee of the United States or of any department or agency thereof, publishes, divulges, discloses, or makes known in any manner or to any extent not authorized by law any information coming to him in the course of his employment or official duties or by reason of any examination or investigation made by, or return, report or record made to or filed with, such department or agency or officer or employee thereof, which information concerns or relates to the *trade secrets,* processes, operations, style of work, or apparatus, or to the identity, confidential statistical data, amount or source of any income, profits, losses, or expenditures of any person, firm, partnership, corporation, or association; or permits any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; shall be fined not more than $1,000, or imprisoned not more than one year, or both; and shall be removed from office or employment.

Act of June 25, 1947, § 3c(4), 61 Stat. 167, *as amended* **7 U.S.C.A. § 136j(a)(2)(D) (Supp. 1973).**

c. It shall be unlawful—

• • •

(4) for any person to use for his own advantage or to reveal, other than to the Secretary, or officials or employees of the United States Department of Agriculture, or other Federal agencies, or to the courts in response to a subpoena, or to physicians, and in emergencies to pharmacists and other qualified persons, for use in the preparation of antidotes, in accordance with such directions as the Secretary may prescribe, *any information relative to formulas of products* acquired by authority of section 4 of this Act.

Act of June 25, 1947, § 8c, 61 Stat. 170, *as amended* **7 U.S.C.A. § 1361(b)(3) (Supp. 1973).**

c. Notwithstanding any other provision of this section, in case any person, with intent to defraud, *uses or reveals information relative to formulas of products* acquired under the authority of section 4 of this Act, he shall be fined not more than $10,000 or imprisoned for not more than three years, or both such fine and imprisonment.

Act of June 11, 1946, § 3(b), 60 Stat. 238, *as amended* **5 U.S.C. § 552(b)(4) (1970).**

(b) Opinions and Orders—Every agency shall publish or, in accordance with published rule, make available to public inspection all final opinions or orders in the adjudication of cases (except those required for good cause to be held *confidential* and not cited as precedents) and all rules.

Federal Food, Drug and Cosmetic Act, § 301(j), 52 Stat. 1042 (1938), *as amended* **21 U.S.C. § 331(j) (1970).**

The following acts and the causing thereof are hereby prohibited:

* * *

(j) The using by any person to his own advantage, or revealing, other than to the Secretary or officers or employees of the Department, or to the courts when relevant in any judicial proceeding under this Act, any information acquired under authority of section 404, 505, or 704 concerning any method or process which as a *trade secret* is entitled to protection.

Securities Exchange Act of 1934, § 24(a), 48 Stat. 901, *as amended* **15 U.S.C. § 78x(a) (1970).**

(a) Nothing in this title shall be construed to require, or to authorize the Commission to require, the revealing of *trade secrets* or processes in any application, report, or document filed with the Commission under this title.

Act of February 25, 1925, 43 Stat. 977, *as amended* **18 U.S.C. § 1702 (1970).**

. . . or whoever shall take any letter, postal card, or package out of any post office or station thereof, or out of

any authorized depository for mail matter, or from any letter or mail carrier, or which has been in any post office or station thereof, or other authorized depository, or in the custody of any letter or mail carrier, before it has been delivered to the person to whom it was directed, with a design to obstruct the correspondence, or to pry into the business or *secrets* of another, or shall open, secrete, embezzle, or destroy the same, shall be fined not more than $2,000 or imprisoned not more than five years, or both.

Act of September 26, 1914, § 6(f), 38 Stat. 721, 722, *as amended* 15 U.S.C. § 46(f) (1970).

That the commission shall also have power—

• • •

(f) To make public from time to time such portions of the information obtained by it hereunder, except *trade secrets* and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.

Patent Office Reg. 37 C.F.R. § 1.14(a) (1949), *as enacted in the Patent Code*, 35 U.S.C § 122 (1970).

(a) Pending patent applications are preserved in *secrecy*. No information will be given by the Office respecting the filing by any particular person of an application for a patent, the pendency of any particular case before it, or the subject matter of any particular application, nor will access be given to or copies furnished of any pending application or papers relating thereto, without written authority of the applicant, or his assignee or attorney or agent, unless it shall be necessary to the proper conduct of business before the Office or as provided by this part.

APPENDIX B

The following statutes deal with or refer to the protection of trade secrets and were either enacted or amended to their present form since the enactment of the 1952 Patent Code. Emphasis has been supplied to bring out the references to trade secrets.

Act of June 5, 1967, 5 U.S.C. § 552(b)(4) (1970).

(b) This section does not apply to matters that are—

* * *

(4) *trade secrets* and commercial or financial information obtained from a person and privileged or confidential;

Act of August 10, 1956, 10 U.S.C. § 2386(3) (1970).

Funds appropriated for a military department available for making or procuring supplies may be used to acquire any of the following if the acquisition relates to supplies or processes produced or used by or for, or useful to, that department:

* * *

(3) Designs, processes, and manufacturing data.

Flammable Fabrics Act, 15 U.S.C. § 1193(c) (1970).

(c) * * * All information reported to or otherwise obtained by the Secretary or his representative pursuant to this subsection which information contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18, shall be considered confidential for the purpose of that section, except that such information may be disclosed to other officers or employees concerned with carrying out this chapter or when relevant in any proceeding under this chapter. * * *

Federal Hazardous Substances Labeling Act, 15 U.S.C. § 1263(h) (1970).

The following acts and the causing thereof are prohibited:

* * *

(h) The use by any person to his own advantage, or revealing other than to the Secretary or officers or employees of the Department, or to the courts when relevant in any

judicial proceeding under this chapter, of any information acquired under authority of section 1270 of this title concerning any method of process which as a *trade secret* is entitled to protection.

National Traffic and Motor Vehicle Safety Act of 1966, 15 U.S.C. § 1401(e) (1970).

(e) All information reported to or otherwise obtained by the Secretary or his representative pursuant to subsection (b) or (c) of this section which information contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18, shall be considered confidential for the purpose of that section, except that such information may be disclosed to other officers or employees concerned with carrying out this subchapter or when relevant in any proceeding under this subchapter. • • •

Federal Food, Drug and Cosmetic Act, 21 U.S.C. § 331(j) (1970).

The following acts and the causing thereof are prohibited:

• • •

(j) The using by any person to his own advantage, or revealing, other than to the Secretary or officers or employees of the Department, or to the courts when relevant in any judicial proceeding under this chapter, any information acquired under authority of section 344, 348, 355, 356, 357, 360b, 374, or 376 or this title concerning any method or process which as a *trade secret* is entitled to protection.

Wholesome Poultry Products Act, 21 U.S.C. § 458(a)(5) (1970).

(a) No person shall—

• • •

(5) use to his own advantage, or reveal other than to the authorized representatives of the United States Government or any State or other government in their official capacity, or as ordered by a court in any judicial proceedings, any information acquired under the authority of this chapter concerning any matter which is entitled to protection as a *trade secret*.

Occupational Safety and Health Act of 1970, 29 U.S.C. § 664 (1970).

All information reported to or otherwise obtained by the Secretary or his representative in connection with any inspection or proceeding under this chapter which contains or which might reveal a *trade secret* referred to in section 1905 of Title 18 shall be considered confidential for the purpose of that section, except that such information may be disclosed to other officers or employees concerned with carrying out this chapter or when relevant in any proceeding under this chapter. In any such proceeding the Secretary, the Commission, or the court shall issue such orders as may be appropriate to protect the confidentiality of trade secrets.

Water Quality Improvement Act of 1970, 33 U.S.C. § 1163 (g)(3) (1970).

(3) * * * All information reported to or otherwise obtained by, the Secretary or the Secretary of the department in which the Coast Guard is operating or their representatives pursuant to this subsection which contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18 shall be considered confidential for the purpose of that section, except that such information may be disclosed to other officers or employees concerned with carrying out this section. * * *

Act of July 19, 1952, 35 U.S.C. § 24 (1970).

* * * No witness shall be deemed guilty of contempt . . . for refusing to disclose any *secret matter* except upon appropriate order of the court which issued the subpoena.

Act of July 19, 1952, 35 U.S.C. § 122 (1970).

Applications for patents shall be kept *in confidence* by the Patent Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.

Postal Reorganization Act, 39 U.S.C. § 410(c)(2) (1970).

(c) Subsection (b)(1) of this section shall not require the disclosure of—

* * *

(2) information of a commercial nature, including *trade secrets*, whether or not obtained from a person outside the Postal Service, which under good business practice would not be publicly disclosed;

Radiation Control for Health and Safety Act of 1968, 42 U.S.C. § 263g(d) (1970).

(d) * * * The Secretary shall disclose to the public so much of the information contained in such notice or other information obtained under section 263i of this title as he deems will assist in carrying out the purposes of this subpart, but he shall not disclose any information which contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18 unless he determines that it is necessary to carry out the purposes of this subpart.

Radiation Control for Health and Safety Act of 1968, 42 U.S.C. § 263i(e) (1970).

(e) The Secretary or his representative shall not disclose any information reported to or otherwise obtained by him, pursuant to subsection (a) or (b) of this section, which concerns any information which contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18, except that such information may be disclosed to other officers or employees of the Department and of other agencies concerned with carrying out this subpart or when relevant in any proceeding under this subpart. * * *

Air Quality Act of 1967, 42 U.S.C. § 1857c-9(c) (1970).

(c) Any records, reports or information obtained under subsection (a) shall be available to the public, except that upon a showing satisfactory to the Administrator by any person that records, reports, or information, or particular part thereof, (other than emission data) to which the Administrator has access under this section if made public, would divulge methods or processes entitled to protection as *trade secrets* of such person, the Administrator shall consider such record, report, or information or particular portion thereof confidential in accordance with the purposes of section 1905 of title 18 of the United States Code, except that such record, report, or information may be disclosed to other officers, employees, or authorized representatives of the United States concerned with carrying

out this Act [42 USCS §§ 1857 and notes-1858a] or when relevant in any proceeding under this Act.

Air Quality Act of 1967, 42 U.S.C. § 1857d(j)(1) (1970).

(j)(1) * * * No person shall be required in such report to divulge *trade secrets* or secret processes and all information reported shall be considered confidential for the purposes of section 1905 of title 18 of the United States Code [18 USCS § 1905].

Air Quality Act of 1967, 42 U.S.C. § 1857f-6(b) (1970).

(b) Any records, reports or information obtained under subsection (a) shall be available to the public, except that upon a showing satisfactory to the Administrator by any person that records, reports, or information, or particular part thereof (other than emission data), to which the Administrator has access under this section if made public, would divulge methods or processes entitled to protection as *trade secrets* of such person, the Administrator shall consider such record, report, or information or particular portion thereof confidential in accordance with the purposes of section 1905 of title 18 of the United States Code, except that such record, report, or information may be disclosed to other officers, employees, or authorized representatives of the United States concerned with carrying out this Act [42 USCS §§ 1857 and notes-1858a] or when relevant in any proceeding under this Act [42 USCS §§ 1857 and notes 1858a]. * * *

Consumer Product Safety Act, 15 U.S.C.A. § 2055(a)(2) (Supp. 1973).

(2) All information reported to or otherwise obtained by the Commission or its representative under this chapter which information contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18 shall be considered confidential and shall not be disclosed, except that such information may be disclosed to other officers or employees concerned with carrying out this chapter or when relevant in any proceeding under this chapter. * * *

Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136h(a), (b) (Supp. 1973).

136h. Protection of trade secrets and other information. —(a) In General.—In submitting data required by this

Act [7 USCS §§ 136-136y], the applicant may (1) clearly mark any portions thereof which in his opinion are *trade secrets* or commercial or financial information and (2) submit such market material separately from other material required to be submitted under this Act [7 USCS §§ 136-136y].

(b) Disclosure.—Notwithstanding any other provision of this Act [7 USCS §§ 136-136y], the Administrator shall not make public information which in his judgment contains or relates to *trade secrets* or commercial or financial information obtained from a person and privileged or confidential, except that, when necessary to carry out the provisions of this Act [7 USCS §§ 136-136y], information relating to formulas of products acquired by authorization of this Act [7 USCS §§ 136-136y] may be revealed to any Federal agency consulted and may be revealed at a public hearing or in findings of fact issued by the Administrator.

Federal Water Pollution Control Act Amendments of 1972, 33 U.S.C.A. § 1318(b)(2) (Supp. 1973).

(b) Any records, reports, or information obtained under this section * * * (2) shall be available to the public, except that upon a showing satisfactory to the Administrator by any person that records, reports, or information, or particular part thereof (other than effluent data), to which the Administrator has access under this section, if made public would divulge methods or processes entitled to protection as *trade secrets* of such person, the Administrator shall consider such record, report, or information, or particular portion thereof confidential in accordance with the purposes of section 1905 of Title 18, except that such record, report, or information may be disclosed to other officers, employees, or authorized representatives of the United States concerned with carrying out this chapter or when relevant in any proceeding under this chapter.

Federal Water Pollution Control Act Amendments of 1972, 33 U.S.C.A. § 1320(d) (Supp. 1973).

(d) * * * Upon a showing satisfactory to the board by the person filing such report that such report or portion thereof (other than effluent data), to which the Administrator has access under this section, if made public would divulge *trade secrets* or secret processes of such person,

the board shall consider such report or portion thereof confidential for the purposes of section 1905 of Title 18. * * *

Federal Water Pollution Control Act Amendments of 1972, 33 U.S.C.A. § 1322(g)(3) (Supp. 1973).

(3) * * * All information reported to or otherwise obtained by the Administrator or the Secretary of the department in which the Coast Guard is operating or their representatives pursuant to this subsection which contains or relates to a *trade secret* or other matter referred to in section 1905 of Title 18 shall be considered confidential for the purpose of that section, except that such information may be disclosed to other officers or employees concerned with carrying out this section. * * *

Federal Water Pollution Control Act Amendments of 1972, 33 U.S.C.A. § 1369(a)(1) (Supp. 1973).

(a)(1) * * * Except for effluent data, upon a showing satisfactory to the Adminstrator that such papers, books, documents, or information or particular part thereof, if made public, would divulge *trade secrets* or secret processes, the Administrator shall consider such record, report, or information or particular portion thereof confidential in accordance with the purposes of section 1905 of Title 18, except that such paper, book, document, or information may be disclosed to other officers, employees, or authorized representatives of the United States concerned with carrying out this chapter, or when relevant in any proceeding under this chapter. * * *

Economic Stabilization Act Amendments of 1971, § 205, 85 Stat. 747.

All information reported to or otherwise obtained by any person exercising authority under this title which contains or relates to a *trade secret* or other matter referred to in section 1905 of title 18, United States Code [Section 1905 of Title 18], shall be considered confidential for the purposes of that section, except that such information may be disclosed to other persons empowered to carry out this title solely for the purpose of carrying out this title or when relevant in any proceeding under this title.

Consumer Credit Protection Act, § 405(e), 82 Stat. 166 (1968).

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it may publish the information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, *trade secrets,* or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. * * *

Act of May 22, 1968, § 5(f), 82 Stat. 128.

(f) Any information which is reported to or otherwise obtained by the Secretary or such officer or employee under this section and which contains or relates to a *trade secret* or other matter referred to in section 1905 of title 18 of the United States Code [section 1905 of Title 18, Crimes and Criminal Procedure], shall not be disclosed except to other officers or employees of the Federal Government for their use in carrying out this joint resolution. * * *

Act of July 3, 1964, § 5(e), 78 Stat. 271.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, *trade secrets,* or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff: Provided, however, That the Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.